

# POULTRY

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## EXECUTIVE SUMMARY

Compared to more traditional livestock production in Kansas, the poultry industry is relatively small. Kansas is home to some innovative and high value egg laying and poultry genetic companies, however, opening the door for expansion in the poultry sector. Poultry operations require relatively less land than other livestock, and Kansas is home to abundant poultry feedstock supplies. Other factors contribute to Kansas' appeal to the poultry industry, including effective freight and warehouse infrastructure and strong leadership in education and policy relating to the poultry sector. Kansas has shown leadership in proactive preparation for possible disease outbreak events.

Along with the numerous advantages Kansas offers the poultry industry, several challenges exist as well which pose potential barriers to growth. The lack of in-state processing facilities means poultry farms have to ship out of state for processing, which adds expense to the bottom line. Several issues could improve the outlook for poultry production, including some relating to water use, shipping efficiencies and international trade. Because poultry is still a growing sector in Kansas, and Kansas is not a member of an industry organization, potential producers may be hesitant to invest in what they may see as an uncertain sector in the state.

To realize the potential growth in the poultry industry, key Kansas partners must provide input and discussion to develop a long-term growth strategy. Efforts would need to be made in industry outreach, involving collaboration between public and private stakeholders. Additional research and examination of economic benefits of poultry operations would be helpful in pursuing expansion of current business or recruitment of new business. This cooperative effort into a strategic growth plan could result in long-term success for the poultry industry in Kansas.

## STATUS

The poultry industry in Kansas is ranked 34th in the nation in terms of egg and poultry meat sales according to the latest Census of Agriculture. According to estimates prepared by the Kansas Department of Agriculture and based on the Implan economic data model, the poultry industry in Kansas has a direct output of over \$72.7 million and creates 78.7 jobs in the state. Through indirect and induced impacts, the industry supports a total of 277.3 jobs and creates a total economic contribution of almost \$119.5 million.

Compared to more traditional livestock production in Kansas the poultry industry is relatively small. However, Kansas is home to innovative and high value egg laying and poultry genetic companies. Southeast Kansas is home to broiler and turkey production while a majority of the state's egg production arises from one company in central Kansas.

Readily available feedstock (corn, soybeans, and sorghum) and land resources paired with relatively small land requirements and short-term return on investment of poultry facilities and a pro-business climate make Kansas a prime location for the poultry industry to expand.

## OPPORTUNITIES

In order to develop a strategic growth plan for the poultry industry it is important to understand the areas where Kansas has a comparative advantage and the best opportunities for growth or expansion.

Factor	Implications for Growth and Development Opportunities
<b>Biosecurity</b>	<p>Kansas is recognized as one of the best exercised states in foreign animal disease. The construction of the National Bio and Agro-Defense Facility and the existing Biosecurity Research Institute enhance the research capabilities for animal health and biosecurity for the state, U.S. and global poultry community.</p> <p>KDA, in conjunction with county government and law enforcement, led the highly pathogenic avian influenza (HPAI) response in the spring of 2015. This response dealt with a confirmed positive case in a backyard flock in the state as well as response from being within the quarantine area of a Missouri location.</p>
<b>Feed Supply and Land Availability</b>	<p>Kansas is home to abundant poultry feedstock supplies including:</p> <ul style="list-style-type: none"> <li>• Corn and corn derived dried distiller's grain</li> <li>• Sorghum and sorghum derived dried distiller's grain</li> <li>• Soybeans and soybean meal</li> </ul> <p>Kansas has the second most farm land of any state, with roughly 90 percent devoted to agriculture. Poultry operations demand relatively less land than other animal facilities. These two factors together equate to a relatively available and affordable base for expanding operations compared to southeast states.</p>
<b>Human Capital</b>	<p>Kansas is home to strong leadership in the poultry and poultry processing industries. The existing poultry industry in Kansas is seeking to expand, creating additional investment opportunities.</p> <p>Kansas State University's Department of Animal Science and Industry houses respected research and extension faculty in poultry and egg production, feed science, animal processing and food safety.</p>

# OPPORTUNITIES (cont'd)

Factor	Implications for Growth and Development Opportunities
<p><b>Policy Environment</b></p>	<p>Recent changes to the Kansas tax code have reduced state tax burdens on the Kansas agricultural community. Some of the key changes include a state income tax exemption for partnerships, LLCs, Limited Liability Partnerships, Sole Proprietorships and Subchapter-S Corporations; sales tax exemption on the construction, reconstruction and remodeling of poultry and egg facilities for projects greater than \$50,000; and sales tax exemption for farm machinery and equipment and various ag-based inputs. These state tax code provisions make Kansas a more attractive state for growth or expansion.</p> <p>Also at the state level, Kansas works closely with the poultry community to ensure that the Kansas poultry industry is protected from overreaching federal regulation. Governor Sam Brownback recently drafted a letter to U.S. Department of Agriculture Secretary Tom Vilsack speaking out against proposed changes to the National Organic Egg Standards that would negatively impact the state's organic egg producers.</p> <p>Through the KDA Animal Health Board and key partnerships throughout the industry, KDA regularly meets with and seeks input on policy-related issues to ensure industry concerns are heard and included in policy decisions.</p> <p>At the federal level, Kansas is fortunate to have elected members of Congress who strongly support the agricultural industry. The Kansas congressional delegation will play an important role in influencing positive changes related to federal regulations or legislation, international trade, federal taxes, antibiotic use, poultry facility requirements, transportation rules, natural resources and more.</p> <p>In partnership with K-State, KDA can provide plan writing and training to poultry processors to meet Hazard Analysis and Critical Control Points (HACCP) standards.</p>
<p><b>Supporting Infrastructure</b></p>	<p>The presence of a world-leading poultry genetic company makes for readily available access to the finest egg laying stock in the world.</p> <p>Kansas is home to an intermodal freight facility in Edgerton with supporting cold storage warehouse infrastructure to handle more than 1 billion pounds of frozen meat products on an annual basis.</p>
<p><b>Water</b></p>	<p>Kansas is also taking significant proactive steps to preserve and extend the usable life of the water supply in Kansas. In recent years, voluntary, flexible and producer-driven water conservation tools have been implemented to help farmers and ranchers manage their water rights while continuing to raise crops or livestock. Additionally, Kansas has developed a <i>Vision for the Future of Water Supply in Kansas</i> with goals and specific action items to help ensure a reliable water supply while continuing to grow the economy.</p>

# SUCCESS STORIES

The poultry and egg production community in Kansas works to improve practices and efficiencies. In recent years, state and industry partners have taken some of the following steps to improve and protect the industry.

- During the high path avian influenza (HPAI) outbreak in spring 2015, Kansas confirmed itself as one of the leaders in foreign animal disease response through succinct testing and monitoring of affected areas.
- KDA Division of Animal Health staff worked proactively with poultry companies to assist in the development of disease outbreak plans.
- A facility in central Kansas has invested in expanded organic and conventional egg production facilities.
- A genetics company opened their first Kansas farm in 2016. This breeder farm, located in southeast Kansas, houses two pullet rearing and two breeder lay houses.

# CHALLENGES

While Kansas is poised for potential expansion in the poultry sector, the following factors represent challenges serving as barriers to achieving the objective of the strategic growth plan.

Challenge	Details of Challenge
<b>Critical Infrastructure</b>	<p>A lack of adequate housing in rural areas compounds the issue of a shortage of agricultural workers.</p> <p>A lack of rail access in the western portion of the state will require producers to ship products across the state to be loaded onto the rail or use alternative transportation.</p> <p>As poultry and egg producers and processors identify when and where to grow their presence, a key factor they will consider are utility rates. There are challenges with competitive utility rates in Kansas that have resulted in burdensome and unnecessarily high utility rates.</p> <p>Shipping efficiencies for poultry products such as extra-large eggs could be improved with increased weight limits. Allowing trucks to carry 90,000 pounds on six axles could be beneficial to the industry.</p>
<b>Industry Perception</b>	<p>Compared to southeast states, Kansas does not have a strong history in the poultry industry. Therefore potential Kansas producers and investors may be hesitant to investing in poultry and egg production.</p>
<b>International Trade</b>	<p>Access to international markets for poultry products is key to growing the industry as is basing trade agreements on internationally recognized, science-based standards with regard to sanitary and phyto-sanitary measures. Resistance to free trade agreements at the federal level can hinder this access.</p>

# CHALLENGES (cont'd)

Challenge	Details of Challenge
<b>Lack of Facilities</b>	Kansas lacks in-state poultry processing and value-added facilities. Kansas poultry farms ship broilers and spent hens out of state for processing (Arkansas, Missouri & Mississippi).
<b>Nutrient Management</b>	Improperly stored and/or applied poultry litter may create water quality problems downstream. This problem is compounded in areas with relatively high rainfall such as southeast Kansas.
<b>Policy</b>	Though not unique to Kansas, there exist significant challenges due to federal laws and regulations, including: Waters of the U.S., National Organic Egg Standards, the Endangered Species Act, international trade (including the Trans-Pacific Partnership) and more.
<b>Supporting Organizations</b>	Kansas is not a member of a Poultry Federation that could potentially provide lobbying, marketing, and legal support for the industry.
<b>Water</b>	Critical to starting a poultry operation is access to an abundant and reliable water supply. This can prove challenging in many areas of western Kansas that are closed to new water appropriations. New or expanding poultry operations in these regions will have to purchase land with sufficient water rights. Also related to water are challenges with consumptive use laws that can be costly and burdensome to convert from irrigation to stock water use.
<b>Workforce Development</b>	Growth in the poultry industry will require a skilled and non-skilled workforce, which continues to be a significant challenge throughout the entire agricultural industry

## NEXT STEPS IN STRATEGIC DEVELOPMENT

The development of a long-term growth strategy will require input and discussion among key partners. The following strategies have been identified as next steps in developing a strategic growth plan for the poultry industry.

Focus Area	Solution
<b>Business Development</b>	<p>Several steps can be taken to encourage new business growth.</p> <ul style="list-style-type: none"> <li>• Pursue the creation of economic development programs applicable to the poultry production and processing industries.</li> <li>• Create a marketing program that promotes Kansas as the place for poultry businesses throughout the production and processing chain.</li> <li>• Develop a database of federal programs available to assist start-up companies such as the U.S. Department of Agriculture Small Business Innovation Research fund.</li> </ul>

# NEXT STEPS IN STRATEGIC DEVELOPMENT (cont'd)

Focus Area	Solution
<b>Federal Policies</b>	Continue to monitor and take appropriate action on federal policies that could adversely affect the poultry industry.
<b>Industry Outreach</b>	<p>KDA will identify potential partners and establish a schedule for strategic growth plan meetings. KDA will also proactively reach out to key industry leaders and major processors in Kansas regarding the development of a strategic growth plan.</p> <p>Kansas will explore joining a Poultry Federation. Absent joining an official federation, the Division of Animal Health will convene industry roundtables for partners across the industry to share information and strategize for the future while addressing challenges.</p> <p>KDA will dedicate staff time to encourage processing and logistical facilities to add value to poultry and egg products.</p>
<b>Water</b>	Continue implementation of the action items identified in the Kansas Water Vision, including continued outreach related to increased adoption of voluntary, flexible water conservation tools like Water Conservation Areas and Local Enhanced Management Areas.

## OPPORTUNITIES TO EXPAND PRESENCE

Initial list of potential opportunities:

- Kansas could reach the top 25 in poultry meat and egg production, a roughly five-fold increase from current numbers.
- Become a member of a Poultry Federation to provide additional resources to producers and processors.
- Increase opportunities for small-scale poultry and egg producers and processors.
- Partner with K-State to provide objective research and outreach on the benefits of investing in the poultry industry.
- Provide training and plan development to processors to become HACCP compliant.

## OBJECTIVE

Based on feedback and information gathered from stakeholders and key partners at the Agricultural Growth Summit in August 2016, specific growth objectives for the Kansas poultry industry will be developed.

# Kansas AG SUMMIT

GROW SMARTER. GROW STRONGER. GROW KANSAS.

## KANSAS STRATEGIC AGRICULTURAL GROWTH POULTRY — NOTES

### MEETING SUMMARY

From April to July 2016, Kansas Department of Agriculture executive and agricultural marketing team members met with poultry operations in Kansas. These industry representatives expressed that the low population density and access to high quality feed make Kansas a good place to grow. Common themes of challenges impacting the growth of the poultry industry in the state included the organic egg rules, lack of processing, and delays in securing water rights.

### Research

- Increased need for poultry research funding

### Rules & Regulations

- Need to make eVerify a more user-friendly process to improve human resources' employment needs
- Nutrient management regulations are easier to work with in Kansas than in other states
- Organic egg rules have the potential to be detrimental to large-scale organic facilities
- Delays in securing water rights are a challenge

### Transportation and Infrastructure

- Access to high quality feed is a benefit
- Lack of processing is a challenge

### Water and Natural Resources

- Low population density is a benefit in Kansas
  - Poultry facilities need to be far from people and far from each other (good for biosecurity reasons and odor)

### Workforce and Quality of Life

- Workforce is a challenge, but the challenge in Kansas is no worse than other states
  - Recruitment and retention is a challenge
- Employees have experienced difficulties applying for incentive programs, such as Rural Opportunity Zone (ROZ)

Poultry



## Other

- It would be very beneficial for Kansas to join a poultry federation

## Potential Action Items

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